

Property Tax Payments, 2002-2003

- Washington County -

Indiana Legislative Services Agency

June 2005

The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Washington County from \$3.1 Million in 2002 to \$5.4 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Washington County, state tax credits

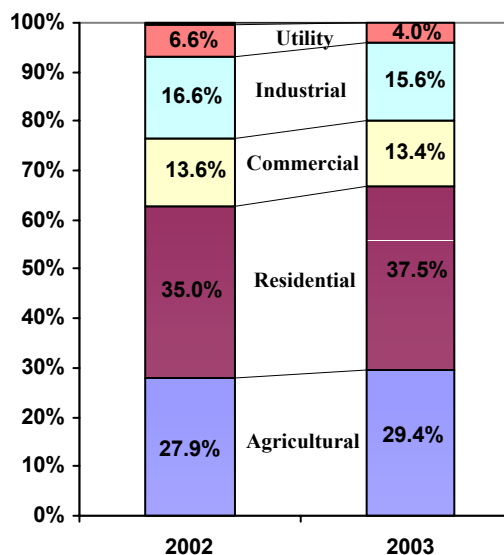
Table 1. Changes in AV and Tax Bills by Property Class for Washington County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	81.6%	69.7%	1.8%
Residential (All)	98.0%	68.7%	3.5%
Homestead Only	94.3%	49.2%	-9.0%
Commercial	38.7%	37.9%	-5.2%
Industrial	22.7%	26.3%	-9.2%
Utility	-15.0%	-15.0%	-42.1%
Avg. All Classes	70.2%	54.0%	-3.3%

increased from \$3.1 million to \$5.4 million, an increase of \$2.3 million. This paper provides a brief summary of how these factors changed property tax liabilities in Washington County.

Tax Shifts. Washington County saw a property tax shift from businesses to residential and agricultural property owners. Tax bills paid by residential and agricultural property owners increased, while tax bills paid by commercial, industrial, and utility property owners decreased (see Table 1). [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] The reason for these shifts between classes of property was that the total of real plus personal property assessed values (AV) of residential and agricultural property increased more than the assessed values of business property. Gross assessed values of agricultural and residential property nearly doubled. Commercial and industrial assessments rose much less, and utility assessments actually declined. These figures include the

Figure 1. Share of Net Property Tax Billings in Washington County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

effects of new construction, demolition, and remodeling of property, as well as the effects of reassessment, tax restructuring, and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Washington County saw their tax bills decrease while the average residential property increased. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased much more than for homestead property. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Washington County, more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, substantially more homestead owners saw decreases rather than increases.

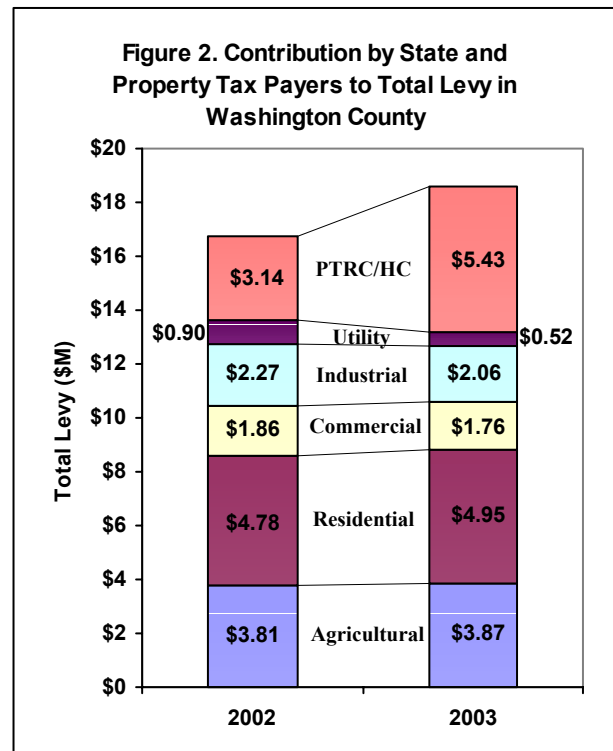
Table 2. Distribution of Net Tax Changes on Comparable Residential Property in Washington County.				
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	56.4%	27.0%	49.4%	20.0%
Decreased	43.6%	73.0%	50.6%	80.0%
Increased 100% or More	20.0%	4.0%	14.9%	3.2%
Decreased 25% or More	23.2%	41.3%	30.7%	53.4%
Average Change (\$)	-\$12	-\$123	-\$54	-\$176
Average Change (%)	-2.9%	-18.5%	-12.7%	-26.5%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, about half of all residential property owners would have seen tax increases, and half would have seen tax decreases. For homesteads, about a quarter would have seen increases and three-quarters would have seen decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of more homeowners than they increased.

Agriculture. Taxes on agricultural property in Washington County rose slightly. Overall, agricultural business taxes increased while agricultural homestead taxes decreased. The net assessed value on non-homestead agricultural real property nearly doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a small amount.

Business. Taxes on business property fell in Washington County because assessed values rose much less than



residential and agricultural assessments. Business real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased business assessments less. The general rise in assessed values in Washington County reduced tax rates, and this cut tax bills for owners of property with smaller assessment increases, like businesses.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Washington County by PTRC and state homestead credit payments increased by approximately 73%, from \$3.1 million to \$5.4 million.

Table 3 shows estimates of how Washington County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential and agricultural property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of these tax increases. Washington County residential property taxes still increased. However, homestead property decreased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was more than offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for increasing the tax cuts received by commercial property. The elimination of PTRC for personal property was responsible for reducing the tax cuts received by industrial and utility property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	19.2%	1.8%	-17.5%
Residential (All)	43.7%	3.5%	-40.2%
Homestead Only	52.5%	-9.0%	-61.5%
Commercial	-0.4%	-5.2%	-4.8%
Industrial	-17.8%	-9.2%	8.6%
Utility	-48.3%	-42.1%	6.2%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Washington County

Changes in Assessed Values, Deductions, Credits and Net Levies

Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	498,626,558	177,279,654	256,890,681	187,663,351	43,356,019	21,098,103	2,100
Real Deductions	59,365,066	13,228,206	46,069,007	46,069,007	67,853	0	0
Real Net Assessed Value	439,261,492	164,051,448	210,821,674	141,594,344	43,288,166	21,098,103	2,100
Personal Gross Assd. Value	141,381,032	15,721,580	1,353,514	0	24,008,284	61,352,463	38,945,191
Personal Deductions	4,078,055	0	10,695	0	52,300	4,015,060	0
Personal Net Assd. Value	137,302,977	15,721,580	1,342,819	0	23,955,984	57,337,403	38,945,191
Total Gross Assessed Value	640,007,589	193,001,234	258,244,195	187,663,351	67,364,303	82,450,566	38,947,291
Total Deductions	63,443,121	13,228,206	46,079,702	46,069,007	120,153	4,015,060	0
Total Net Assessed Value	576,564,468	179,773,028	212,164,493	141,594,344	67,244,150	78,435,506	38,947,291
Gross Levy	16,730,691	4,628,010	6,105,679	4,076,990	2,219,020	2,707,408	1,070,574
PTRC (Calculated)	2,628,323	713,490	950,468	633,066	356,999	441,428	165,939
State/County Homestead Cr. (Calculated)	483,245	108,242	375,003	375,003	0	0	0
Net Levy	13,619,123	3,806,278	4,780,208	3,068,921	1,862,022	2,265,980	904,635
Pay 2003							
Real Gross Assessed Value	921,971,888	333,552,977	509,816,430	364,655,481	55,842,655	22,750,025	9,800
Real Deductions	199,964,347	45,387,281	153,448,190	153,448,190	432,995	695,881	0
Real Net Assessed Value	722,007,541	288,165,696	356,368,240	211,207,291	55,409,660	22,054,144	9,800
Personal Gross Assd. Value	167,546,168	16,926,320	1,534,270	0	37,591,017	78,391,092	33,103,468
Personal Deductions	1,626,040	0	90	0	262,650	1,363,300	0
Personal Net Assd. Value	165,920,128	16,926,320	1,534,180	0	37,328,367	77,027,792	33,103,468
Total Gross Assessed Value	1,089,518,056	350,479,297	511,350,700	364,655,481	93,433,672	101,141,118	33,113,268
Total Deductions	201,590,387	45,387,281	153,448,280	153,448,190	695,645	2,059,181	0
Total Net Assessed Value	887,927,669	305,092,016	357,902,420	211,207,291	92,738,027	99,081,937	33,113,268
Gross Levy	18,568,788	5,646,508	7,470,222	4,433,146	2,296,429	2,509,801	645,828
PTRC (Calculated)	4,953,899	1,677,773	2,170,133	1,287,436	531,955	452,145	121,893
State/County Homestead Cr. (Calculated)	447,017	94,221	352,796	352,796	0	0	0
Net Levy	13,167,872	3,874,514	4,947,293	2,792,914	1,764,475	2,057,657	523,934
COMPARISONS							
Net Levy Percent Change	-3.3%	1.8%	3.5%	-9.0%	-5.2%	-9.2%	-42.1%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	84.9%	88.2%	98.5%	94.3%	28.8%	7.8%	366.7%
Gross Personal AV	18.5%	7.7%	13.4%	0.0%	56.6%	27.8%	-15.0%
Total Gross Assessed Value	70.2%	81.6%	98.0%	94.3%	38.7%	22.7%	-15.0%
Net Assessed Value	54.0%	69.7%	68.7%	49.2%	37.9%	26.3%	-15.0%
Gross Levy	11.0%	22.0%	22.3%	8.7%	3.5%	-7.3%	-39.7%
Net Levy	-3.3%	1.8%	3.5%	-9.0%	-5.2%	-9.2%	-42.1%
Actual State Credits, 2002 and 2003							
	2002	2003	Change	Change%			
PTRC (Abstract)	2,634,636	4,974,942	2,340,306	88.8%			
State Homestead Cr. (Abstract)	501,633	451,897	-49,736	-9.9%			
Total State Credits (Abstract)	3,136,269	5,426,839	2,290,570	73.0%			

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Washington County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	3,806,278	3,874,514	68,236	1.8%	27.9%	29.4%	1.5%
Residential	4,780,208	4,947,293	167,085	3.5%	35.0%	37.5%	2.5%
Commercial	1,862,022	1,764,475	-97,547	-5.2%	13.6%	13.4%	-0.3%
Industrial	2,265,980	2,057,657	-208,323	-9.2%	16.6%	15.6%	-1.0%
Utility	904,635	523,934	-380,701	-42.1%	6.6%	4.0%	-2.6%
Exempt	39,664	17,486	-22,178	-55.9%	0.3%	0.1%	-0.2%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	13,658,787	13,185,359	-473,428	-3.5%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	3,469,108	3,628,529	159,421	4.6%	25.4%	27.5%	2.1%
Residential	4,748,746	4,924,795	176,049	3.7%	34.8%	37.4%	2.6%
Commercial	1,225,450	997,542	-227,908	-18.6%	9.0%	7.6%	-1.4%
Industrial	606,828	402,157	-204,671	-33.7%	4.4%	3.1%	-1.4%
Utility	50	154	104	208.0%	0.0%	0.0%	0.0%
Exempt	39,664	17,486	-22,178	-55.9%	0.3%	0.1%	-0.2%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	10,089,846	9,970,663	-119,183	-1.2%	73.9%	75.6%	1.7%
Agricultural Homesteads	1,589,887	1,534,951	-54,936	-3.5%	11.6%	11.6%	0.0%
Residential Homesteads	3,068,921	2,792,914	-276,007	-9.0%	22.5%	21.2%	-1.3%
Total Homesteads	4,658,808	4,327,865	-330,943	-7.1%	34.1%	32.8%	-1.3%
Non-Homestead Residential	1,679,825	2,131,881	452,056	26.9%	12.3%	16.2%	3.9%
Apartments (Over 4 Units)	163,234	167,742	4,508	2.8%	1.2%	1.3%	0.1%
<u>Personal Property Only</u>							
Agricultural	337,169	245,985	-91,184	-27.0%	2.5%	1.9%	-0.6%
Residential	31,462	22,498	-8,964	-28.5%	0.2%	0.2%	-0.1%
Commercial	636,572	766,933	130,361	20.5%	4.7%	5.8%	1.2%
Industrial	1,659,152	1,655,500	-3,652	-0.2%	12.1%	12.6%	0.4%
Utility	904,585	523,780	-380,805	-42.1%	6.6%	4.0%	-2.7%
Total	3,568,940	3,214,696	-354,244	-9.9%	26.1%	24.4%	-1.7%
Total Depreciables	2,980,721	2,474,349	-506,372	-17.0%	21.8%	18.8%	-3.1%
Total Inventory	556,757	717,849	161,092	28.9%	4.1%	5.4%	1.4%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	1,879,222	2,093,578	214,356	11.4%	13.8%	15.9%	2.1%
Ag Personal	337,169	245,985	-91,184	-27.0%	2.5%	1.9%	-0.6%
Total Ag Business	2,216,391	2,339,563	123,172	5.6%	16.2%	17.7%	1.5%
Ag Homesteads	1,589,887	1,534,951	-54,936	-3.5%	11.6%	11.6%	0.0%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Washington County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	179,773,028	305,092,016	125,318,988	69.7%	31.1%	34.3%	3.2%
Residential	212,164,493	357,902,420	145,737,927	68.7%	36.7%	40.3%	3.6%
Commercial	67,244,150	92,738,027	25,493,877	37.9%	11.6%	10.4%	-1.2%
Industrial	78,435,506	99,081,937	20,646,431	26.3%	13.6%	11.1%	-2.4%
Utility	38,947,291	33,113,268	-5,834,023	-15.0%	6.7%	3.7%	-3.0%
Exempt	1,514,255	1,182,900	-331,355	-21.9%	0.3%	0.1%	-0.1%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	578,078,723	889,110,568	311,031,845	53.8%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	164,051,448	288,165,696	124,114,248	75.7%	28.4%	32.4%	4.0%
Residential	210,821,674	356,368,240	145,546,566	69.0%	36.5%	40.1%	3.6%
Commercial	43,288,166	55,409,660	12,121,494	28.0%	7.5%	6.2%	-1.3%
Industrial	21,098,103	22,054,144	956,041	4.5%	3.6%	2.5%	-1.2%
Utility	2,100	9,800	7,700	366.7%	0.0%	0.0%	0.0%
Exempt	1,514,255	1,182,900	-331,355	-21.9%	0.3%	0.1%	-0.1%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	440,775,746	723,190,440	282,414,694	64.1%	76.2%	81.3%	5.1%
Agricultural Homesteads	77,585,830	125,135,032	47,549,202	61.3%	13.4%	14.1%	0.7%
Residential Homesteads	141,594,344	211,207,291	69,612,947	49.2%	24.5%	23.8%	-0.7%
Total Homesteads	219,180,174	336,342,323	117,162,149	53.5%	37.9%	37.8%	-0.1%
Non-Homestead Residential	69,227,330	145,160,949	75,933,619	109.7%	12.0%	16.3%	4.4%
Apartments (Over 4 Units)	5,670,010	8,966,525	3,296,515	58.1%	1.0%	1.0%	0.0%
<u>Personal Property Only</u>							
Agricultural	15,721,580	16,926,320	1,204,740	7.7%	2.7%	1.9%	-0.8%
Residential	1,342,819	1,534,180	191,361	14.3%	0.2%	0.2%	-0.1%
Commercial	23,955,984	37,328,367	13,372,383	55.8%	4.1%	4.2%	0.1%
Industrial	57,337,403	77,027,792	19,690,389	34.3%	9.9%	8.7%	-1.3%
Utility	38,945,191	33,103,468	-5,841,723	-15.0%	6.7%	3.7%	-3.0%
Total	137,302,977	165,920,127	28,617,150	20.8%	23.8%	18.7%	-5.1%
Total Depreciables	114,074,520	127,767,246	13,692,726	12.0%	19.7%	14.4%	-5.4%
Total Inventory	21,885,637	36,618,702	14,733,065	67.3%	3.8%	4.1%	0.3%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	86,465,618	163,030,665	76,565,047	88.5%	15.0%	18.3%	3.4%
Ag Personal	15,721,580	16,926,320	1,204,740	7.7%	2.7%	1.9%	-0.8%
Total Ag Business	102,187,198	179,956,985	77,769,787	76.1%	17.7%	20.2%	2.6%
Ag Homesteads	77,585,830	125,135,032	47,549,202	61.3%	13.4%	14.1%	0.7%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Washington County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	105%	71%	5%	-6%
Comparable Residential Real Prop.	91%	58%	-3%	-13%
Comparable Homesteads	84%	35%	-18%	-27%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	545	5.0%	58	1.2%	495	4.5%	51	1.0%
200%	to 300%	541	5.0%	40	0.8%	313	2.9%	33	0.7%
100%	to 200%	1,089	10.0%	99	2.0%	814	7.5%	76	1.5%
50%	to 100%	918	8.4%	200	4.0%	1,104	10.1%	144	2.9%
25%	to 50%	843	7.7%	260	5.3%	666	6.1%	188	3.8%
10%	to 25%	964	8.9%	299	6.0%	639	5.9%	215	4.3%
5%	to 10%	308	2.8%	137	2.8%	397	3.6%	80	1.6%
0	to 5%	932	8.6%	243	4.9%	951	8.7%	204	4.1%
0	to -5%	412	3.8%	258	5.2%	358	3.3%	154	3.1%
-5%	to -10%	413	3.8%	272	5.5%	398	3.7%	215	4.3%
-10%	to -25%	1,397	12.8%	1,036	21.0%	1,413	13.0%	939	19.0%
-25%	to -50%	1,984	18.2%	1,605	32.5%	2,490	22.9%	1,945	39.3%
Below	-50%	543	5.0%	436	8.8%	851	7.8%	699	14.1%
		10,889	100.0%	4,943	100.0%	10,889	100.0%	4,943	100.0%
Parcels With Increases		6,140	56.4%	1,336	27.0%	5,379	49.4%	991	20.0%
Parcels With Reductions		4,749	43.6%	3,607	73.0%	5,510	50.6%	3,952	80.0%
Average \$ Change			-\$12		-\$123		-\$54		-\$176
Average % Change			-2.9%		-18.5%		-12.7%		-26.5%

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

Prepared by Legislative Services Agency, June 2005